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SILLA JEWELRY CO., LTD., Plaintiff, vs. SUNICO LLC, ET AL., Defendants/Counterclaimants,	SUPERIOR COURT OF NEW JERSEY LAW DIVISION BERGEN COUNTY DOCKET NO. BER-L-7542-15 CIVIL ACTION OPINION

Decided: February 1, 2016
Honorable Robert C. Wilson, J.S.C.

Joseph G. Lee, Esq., on behalf of Plaintiff Silla Jewelry, Co., Ltd. (Law Offices of Joseph G. Lee, Esq.).

William J. Volonte, Esq., on behalf of Defendants/Counterclaimants Sunico, LLC, *et al*. (Law Offices of Kim & Bae, P.C.).

PROCEDURAL HISTORY

On August 18, 2015, Silla Jewelry Co., Ltd. (hereinafter the "Plaintiff") commenced this action by filing the complaint in this Court against Sunico, LLC, et al. (hereinafter "Defendants/Counterclaimants"). On September 17, 2015, Defendants/Counterclaimants filed a motion for an enlargement of time pursuant to R. 4:6-1. On September 28, 2015, Plaintiff filed Opposition to Defendants' Motion for an enlargement of time. On October 9, 2015, the Court granted an extension of thirty (30) days to file an answer or otherwise pleading. On November 5, 2015, the Defendants/Counterclaimants filed their Answer and Counterclaim. Additionally, Defendant Sunico, LLC filed a third party complaint against Yoon Hee Chung, XYZ Companies (fictitious names, No's 1-50) and John Does (fictitious names, No's 1-50). On December 9, 2015, the Plaintiff filed its answer to Defendants/Counterclaimants' counterclaim. Presently before the

Court is the Plaintiff's motion seeking dismissal of the counterclaim pursuant to R. 4:6-2(a), (e). In addition, the Defendants/Counterclaimants filed a motion seeking leave of the Court to file First Amended Counterclaim. The parties consented to disposition on the papers.

FACTUAL HISTORY

Vanessa Tugendhaft Joaillerie ("Vanessa") is a company incorporated under the laws of France, which maintains a registered office at 16, Place Vendôme 75001 Paris, France. The Plaintiff is a jewelry manufacturer and importer incorporated under the laws of the Republic of South Korea in 1989. Sunico submits that Silla's main markets consist of China, Germany, the United Kingdom, and the United States, with the North America supposedly making up 25% of Silla's market. On or about October 26, 2012, Silla applied to do business in New Jersey and listed its President, Chung Yoon Hee, as its representative and San Pil Moon as its registered agent. As of December 5, 2014, Silla withdrew as a company licensed to do business in New Jersey.

Defendant/Counterclaimant Sunico, LLC is a New Jersey limited liability company established in 2011. Defendant Sunico (d/b/a JSK Group) is an unregistered fictitious name located in New Jersey. Defendant/Counterclaimant Jean Park is a principal of Sunico (d/b/a JSK Group). Defendant/Counterclaimant JSK Group is a joint business venture located at 2115 Lindwood Avenue, Fort Lee, New Jersey 07024. Defendant Jean Park is a resident of New Jersey, currently residing at 29 Clifton Terrace, Englewood Cliffs, New Jersey 07632. Jean Park is a current member of Defendant/Counterclaimant Sunico, LLC. Defendant/Counterclaimant Sunyoung Kim was a member of Defendant/Counterclaimant Sunico, LLC when Sunico was registered in New Jersey on August 15, 2011. Defendant/Counterclaimant Moo Park is a resident of New Jersey, currently residing at 29 Clifton Terrace, Englewood Cliffs, New Jersey 07632. Moo Park is a current member of Defendants/Counterclaimant Sunico, LLC.

On or about June 30, 2014, Sunico executed an exclusive distributorship for South Korea by an agreement with Vanessa Tugendhaft Joaillerie to distribute and merchandise in South Korea for the brand “Vanessa Tugendhaft Joaillerie” (hereinafter “Vanessa Brand”). Jean Park signed the distributorship agreement as a principal of Sunico (d/b/a JSK Group). On or about July 7, 2014, Defendant Sunico (d/b/a JSK Group) executed an agreement with JSK Group Korea granting Sunico (d/b/a JSK Group)’s exclusive distributorship rights, memorialized in the June 30, 2014 agreement, to JSK Group Korea. Jean Park signed the distributorship agreement as a principal of Sunico (d/b/a JSK Group). The June 30, 2014 distributorship agreement provided that Sunico, the Distributor, was appointed as Vanessa’s, the Principal, exclusive distributor for the sale of the Vanessa Brand products in the Republic of Korea. Additionally, the distributorship agreement required Sunico to uphold “the Principal’s [Vanessa’s] image and prestige, the [jewelry] articles and collections currently marketed or soon to be marketed by the Principal under the brand ‘VANESSA TUGENDHAFT JOAILLERIE’ as set out in Schedule 1” of the agreement. Furthermore, the distributorship agreement required Sunico to use the Vanessa Brand in accordance with the geographical chart and the logo contained in Schedule 1, as well as any related distinctive signs during the entire term of the agreement and exclusively for the purpose of the agreement. Moreover, the distributorship agreement obligated Sunico to use all available means to promote the Vanessa Brand’s products in the exclusive territories, *i.e.*, South Korea.

Moreover, the distributorship agreement mandated that Sunico commercialize the products in their original packaging without removing, hiding, adding or modifying any brand, registered or not, logo, trade name, distinctive sign, designation, denomination…including any documentation, unless it is required by a mandatory provision under the applicable local legislation in the Exclusive Territory, of which the Principal has been informed beforehand by registered mail with acknowledgment of receipt. Sunico was permitted to buy jewelry articles and other products from non-competitors of Vanessa during the term of this agreement. However, Sunico was obligated to inform Vanessa in the event that it became the distributor of a separate jewelry brand in the Exclusive Territory during the pendency of the agreement. Sunico was obligated to carry out its contractual duties in good faith and with Vanessa's interests in mind and protect the Vanessa Brand as well as the related distinctive signs against any infringement.

Shortly thereafter on September 12, 2014, the Plaintiff Silla now received a separate agreement from Vanessa titled "Amended Exclusive Distributorship Agreement Korea" to authorize the assignment from Sunico, LLC to Silla. The assignment was formally executed on September 26, 2014. The September 2014 Agreement incorporated the prior June 2014 Agreement, with certain limited exceptions. Silla was required to commercialize the products in their original packaging without removing, hiding, adding or modifying any brand, registered or not, logo, trade name, distinctive sign, designation, denomination, including any documentation, unless required by applicable local legislation. Silla was also prohibited from buying jewelry articles and other products from direct competitors of the Principal during the term of the agreement. Moreover, Silla was contractually obligated to act in good faith and with the Principal's interests in mind as well as protect the Brand Vanessa against infringement.

Sunico alleges that between a date unknown, but possibly prior to May 2014, Silla began to manufacture and distribute fraudulent, counterfeit, fake, and mislabeled Vanessa Brand jewelry in Korea. Sunico could not articulate precise dates during which Silla's alleged wrongdoing occurred; the timeline averred by Sunico could be as short as a few months or span a number of years. Sunico alleges that the fraudulent, counterfeit, and mislabeled jewelry included the manufacture and distribution of the Silla's jewelry, on which Silla placed the Vanessa Brand name, imprint, and logo; falsely and misleadingly advertised that the jewelry constituted genuine Vanessa jewelry; and, issued false and fraudulent certifications of authenticity.

Sunico alleged that between a date unknown, but prior to May 2014, and continuing to the present time, but at least until December 2014, Silla operated a jewelry distribution and/or manufacturing business in Fort Lee, New Jersey, that included selling jewelry to New Jersey residents. It is unclear from the submissions if this jewelry included counterfeit Vanessa Brand jewelry. Additionally, Sunico alleged that a date unknown, but prior to May 2014, and continuing to the present time, but at least until December 2014, Silla sold and distributed its fake, counterfeit jewelry to people in the United States and New Jersey. Sunico's submissions do not quantify the number of sales that allegedly took place in New Jersey or the profits reaped from such sales.

In addition, Sunico alleges that in contravention of Silla's contractual obligations, Silla wrongfully retained all sales proceeds and did not compensate Vanessa or Sunico. Again, Sunico's submissions do not quantify the number of sales that allegedly took place in New Jersey or the profits reaped from such sales.

Sunico asserts that at the time Silla allegedly breached the distributorship agreements, Sunico possessed the rights of Distributor and possessed the right to enforce the terms of the South Korea distributorship agreements, including the trademark protection rights in the United States or Korea or both for goods bearing the Vanessa trademark. The basis of this assertion is predicated on Sunico's belief that the distributorship agreements bestowed upon it the rights as an applicant, registrant, predecessor, or assignee of Vanessa's trademarks as defined under the Lanham Act and codified in 15 U.S.C. § 1114. Sunico claims that Vanessa *intended* to assign the rights of its trademarks to it, as the exclusive distributor, for the purpose of selling and promoting Vanessa's jewelry products. Vanessa *intended* that Sunico should benefit from Vanessa's trademarks, insofar as Sunico was the exclusive distributor and sought to benefit from such valid trademarks. Furthermore, Vanessa *intended* that its jewelry be sold, and that Sunico and it would profit from the sale of the Vanessa Brand products. Finally, Sunico claims that the purported intent of Vanessa to confer these exclusive distributor benefits/rights on Sunico transformed Sunico into an intended third party beneficiary of the Vanessa trademarks, thus vesting Sunico "ownership" rights or something analogous to those rights.

On or about March 24, 2015, the Plaintiff received, pursuant to South Korean legal procedures, a Notice of Invasion of Exclusive Distributorship Agreement from JSK Group Korea. In South Korea, this Notice is construed as an advisement that a lawsuit will follow shortly. The Notice claimed that the Plaintiff invaded JSK Group Korea's rights as an exclusive distributor of the Vanessa Brand. On or about April 28, 2015, Sang Chon Kim, representing JSK Group Korea, filed a legal action in South Korea by way of a Korean version of an Order to Show Cause, requiring Silla to defend against a request for an injunction by JSK Group Korea to enjoin Silla from distributing the Vanessa Brand items in South Korea. On or about June 11, 2015, Silla notified the Defendants Sunico, LLC and Jean Park of the cancellation of the "Silla Assignment" via e-mail and certified mail. This litigation followed.

RULE OF LAW & DECISION

The Defendants/Counterclaimants allege various causes of action under the Trademark Act of 1946, as Amended (hereinafter the "Lanham Act"), 15 U.S.C. § 1051, et seq., and New Jersey's Trade Names, Trade-Marks and Unfair Trade Practices Act, N.J.S.A. § 56:3-13.1, et seq. (hereinafter the "New Jersey TCA" or "TCA").

The Lanham Act provides, in pertinent part, as follows:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
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> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
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> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, commercial activities,
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> shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

<u>See</u> 15 <u>U.S.C.</u> § 1125(a)(1).

The New Jersey TCA, <u>N.J.S.A.</u> § 56:3-13.1, <u>et seq.</u>, parallels the Lanham Act and provides in relevant part:

> ...[W]ith respect to a mark registered pursuant to this act and a mark protected at common law, any person who engages in the conduct specified in paragraphs (1) and (2) of this subsection shall be liable in a civil action by the owner or the designee of the owner of the mark for any or all of the remedies provided in subsections d., e. and f. of this section, except that under paragraph (2) of this subsection, the owner or designee shall not be entitled to recover profits or damages unless the conduct has been committed with the intent to cause confusion or mistake or to deceive.
>
> > **(1)** The use, without consent of the owner or designee, of any reproduction, counterfeit, copy, or colorable imitation of a mark in connection with the sale, distribution, offering for sale, or advertising in this State of any goods or services on or in connection with which the use is likely to cause confusion or mistake or to deceive as to the source of origin of the goods or services; or
> >
> > **(2)** The reproduction, counterfeiting, copying or colorable imitation of a mark and the application of a reproduction, counterfeit, copy or colorable imitation of a mark to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale or other distribution in this State of the goods or services.

See N.J.S.A. § 56:3-13.16(a)(1)-(2).

Similarities in the purpose, terminology, and remedies enumerated under the TCA and the Lanham Act affirms that federal law trademark law is persuasive authority for the interpretation and construction of the NJ TCA. See Pharmacia Corp. v. Alcon Labs., Inc., 201 F. Supp. 2d 335, 371 (D.N.J. 2002); see also 15 U.S.C. § 1127; N.J.S.A. § 56:3-13.1a.

Defendants/Counterclaimants assert a claim pursuant to § 1125(a)(1) against the Plaintiff. The crux of the Defendants/Counterclaimants' claims under the Lanham Act and the New Jersey Trade-marks and Unfair Trade Practices Act is predicated on Plaintiff Silla's alleged fraudulent, counterfeit, fake, and mislabeled Vanessa Brand jewelry in Korea and the United States, specifically, New Jersey. The Plaintiff Silla moves to dismiss the counterclaim on several grounds. Firstly, the Plaintiff contends that the Defendants/Counterclaimants have failed to satisfy the "zone of interests" and "proximate cause" requirements as set forth in Lexmark Int'l, Inc. v. Static Components, Inc., __ U.S. __, 134 S.Ct. 1377, 188 L.Ed.2d 392 (2014). Secondly, the Plaintiff contends that Defendants/Counterclaimants have no standing under the Lanham Act for misuse of a trademark or design that it does not own. Lastly, the Plaintiff argues that even if the Defendants/Counterclaimants had standing to bring the counterclaim in the above-captioned matter, this Court lacks jurisdiction over the Defendants/Counterclaimants' Lanham Act claims. Silla's TCA defenses are similar. The court addresses the Defendants/Counterclaimants' claims, and the Plaintiff's respective challenges thereto, individually.

1. Defendants/Counterclaimants Fail To Satisfy The "Zone of Interests" Test And Proximate Cause Requirement Promulgated By The United States Supreme Court In Lexmark Int'l, Inc. v. Static Components, Inc., 134 S.Ct. 1377 (2014).

Preliminarily, the Court will consider the Defendants/Counterclaimants' standing to bring its various claims under Section 43(a) of the Lanham Act. The Plaintiffs contend that the

Defendants/Counterclaimants have not suffered an injury sufficient to implicate the Lanham Act and as such, the Defendants/Counterclaimants lack "standing" to assert its Lanham Act claims.

Section 43(a)(1)(A) provides a remedy for trademark infringement, prohibiting any conduct that "is likely to cause confusion" as to the origin of the goods or services. See 15 U.S.C. § 1125(a)(1)(A). Section 43(a)(1)(B) prohibits "any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which […] in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities." See 15 U.S.C. § 1125(a)(1)(B).

Not every aggrieved party has the right to bring an action under Section 43(a). The aggrieved party must demonstrate that he or she suffered from a cognizable injury under the statute. The seminal case on this issue is Lexmark Int'l, Inc. v. Static Components, Inc., 134 S. Ct. 1377, 188 L.Ed.2d 392 (2014). In Lexmark, the Supreme Court abrogated the five-part test fashioned by the Third Circuit Conte Bros. Auto. v. Quaker State-Slick 50, Inc., 165 F.3d 221, 223 (3d Cir. 1998), and promulgated the statutory "zone of interests" test and the proximate cause requirement, which, together, limits who may sue under the Act. See Lexmark Int'l, Inc. v. Static Components, Inc., 134 S. Ct. 1377, 1384, 1389, 188 L.Ed.2d 392 (2014).

Lexmark International produced toner cartridges specifically for its printers. Id. at 1383. Once Lexmark's cartridges entered the market, remanufacturers were permitted to acquire and refurbish the empty cartridges for resale in competition with those sold by Lexmark. Id. In an effort to maintain its market share, Lexmark encouraged its customers to purchase cartridges directly from it, offering discounted cartridges to customers who agreed to return used cartridges to the company; this would prevent the remanufacturers from acquiring and/or refurbishing these cartridges to the detriment of Lexmark. Id. Lexmark installed a microchip in its discounted cartridges in order to deactivate them when empty. Id. Defendant Static Control, a maker of component parts for refurbished Lexmark cartridges, developed a similar microchip. Id. Lexmark sued for copyright infringement. Id. Static Control counterclaimed for false advertising in violation of § 1125(a), alleging that Lexmark wrongfully advised its customers that it was illegal to purchase Static Control's refurbished cartridges. Id.

In considering and rejecting the countervailing "standing" jurisprudence, the Supreme Court determined that the ultimate question before it was whether Static Control "falls within the class of plaintiffs whom Congress has authorized to sue under § 1125(a)." Id. at 1387. While the Court noted that the language of the statute is broad, permitting any person who believes that he or she is likely to be damaged to bring suit, it is unlikely that Congress intended to allow all factually injured plaintiffs to recover. Id. at 1388 (internal citations omitted). The Court held therefore that the injury sufficient to implicate Section 1125(a) is tempered by two judicially-recognized standards or tests: the statutory zone of interests and proximate cause. Id.

Only those plaintiffs who both fall within the statutory zone of interests and establish proximate causation may invoke the protections of Section 1125(a). See id. at 1388-91. A plaintiff falls within the statutory zone of interests when they "allege an injury to a commercial interest in reputation or sales." Id. In addition, a plaintiff "must show economic or reputational injury flowing directly from the deception wrought by the defendant's advertising." Id. at 1391. In other words, "a plaintiff must plead…an injury to a commercial interest in sales or business reputation proximately caused by the defendant's misrepresentations." Id. at 1395. Ultimately, the Supreme Court held that Static Control fell within the class of persons and entities authorized to bring a

Section 1125(a) claim because it alleged an injury, *i.e.*, a decrease in sales as a direct result of Lexmark's false representations to consumers, cognizable under Section 1125(a). See id.

The holding in Lexmark supports dismissal of the Defendants/Counterclaimants' Lanham Act claims. Sunico failed to satisfy the "zone of interests" test because it failed to allege facts that it possessed a commercial interest in the mark or suffered a commercial injury caused by Silla's alleged infringement. In the proposed Counterclaim, Sunico alleges that Silla advertised and distributed counterfeit Vanessa Brand jewelry in Korea and New Jersey in violation of the parties' distributorship agreements. Despite the Counterclaim's threadbare use of the Lanham Act terminology to describe the harm allegedly suffered, Sunico has failed to allege in any qualitative or quantitative manner the injury it sustained as a result of Silla's purported wrongful conduct. The Counterclaim makes blanket, legal conclusions that Sunico lost other commercial opportunities, including opportunities with the Vanessa Brand; suffered a loss of reputation; loss expected income and profits; and paid attorney's fees to litigate this claim. These blanket, legal conclusions are insufficient to establish standing and to sustain a cause of action under Section 43(a) of the Lanham Act.

Furthermore, Sunico failed to allege facts establishing the proximate cause requirement. Sunico's failure to establish standing with respect to the "zone of interests" undermines its attempt to demonstrate proximate cause. Sunico provided no qualitative or quantitative means by which to assess whether the complained-of injury occurred, and whether Silla's alleged conduct directly caused that injury. In the absence of facts that allege otherwise, Sunico's losses could be attributed to unrelated market forces, or be too attenuated to Silla's alleged involvement to warrant civil liability under Section 43(a) of the Lanham Act.

Moreover, the Court discerns no prospect of amending the claim to plead facts that will state a cognizable claim under the Lanham Act. The allegations, taken as true, indicate that the complained-of conduct is more suited as a breach of contract claim. As such, the Court will dismiss the Lanham Act claim without granting Sunico leave to file a First Amended Counterclaim asserting this claim. In accordance with the foregoing reasons, the Plaintiff's Motion to Dismiss this claim is **GRANTED** and the Defendants/Counterclaimants' Motion seeking leave to file a First Amended Counterclaim with respect to this claim is **DENIED**.

2. Defendants/Counterclaimants Are Neither Registrants, Legal Representatives, Nor Assigns Vis-à-Vis the Trademark Rights at Issue and Do Not Have Standing Under Section 32 of the Lanham Act.

Next, the Court considers the Plaintiff's argument that the Defendants/Counterclaimants lack standing to bring a cause of action under the Lanham Act on the basis that they do not possess an ownership or assignment interest in the trademark. Section 32 of the Lanham Act imbues the trademark registrant with a cause of action against anyone who, without permission, uses in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive. See 15 U.S.C. § 1114(1). A "registrant" includes "legal representatives, predecessors, successors, and assigns of such applicant or registrant." 15 U.S.C. 1127.

In Fed. Treasury Enter. Sojuzplodoimport v. SPI Spirits Ltd., 726 F.3d 62 (2d Cir. 2013), cert. denied, 134 S. Ct. 1291, 188 L.Ed.2d 359 (2014)[1], the Second Circuit articulated a clear and concise definition of legal representative. The Second Circuit began its analysis by comparing the

[1] There is a scarcity of case law in the Third Circuit and state courts analyzing this issue. The litigants and the Court have surveyed the case law and have relied on persuasive unreported cases to fully brief this issue.

language contained in Section 32 and Section 43 of the Lanham Act, both applicable in this case. The Court noted that Section 32(1) expressly restricts standing to the "registrant", which is expressly defined as the owner or his "legal representatives, predecessors, successors and assigns." Fed. Treasury Enter. Sojuzplodoimport v. SPI Spirits Ltd., 726 F.3d 62, 80 (2d Cir. 2013) (citing 15 U.S.C. § 1127). The Court then noted that in contrast to Section 32, Section 43 permits suits "by *any person* who believes that he or she is or is likely to be damaged" by the defendant's actions. Id. (citing 15 U.S.C. § 1125(a)(1) (emphasis added)). The Second Circuit concluded that "[t]o interpret the phrase 'legal representative' broadly would permit both the registrant of the trademark and his putative 'legal representative' to file separate suits against the same defendant for the same infringing act — a result that seems inconsistent with Congress's stated intention to limit standing to the single "registrant" of the trademark under Section 32(1) as opposed to the broad standing afforded plaintiffs suing under Section 43." Id. Accordingly, the Second Circuit concluded that in order to qualify as a "legal representative" entitled to bring suit under Section 32(1) on behalf of a trademark holder, the purported legal representative must demonstrate both its legal authority to represent the owner and that the trademark holder is legally incapable of representing itself. See id.

Applying the Second Circuit's reasoning here, we observe that the Counterclaim does not sufficiently allege that the Vanessa Brand was incapable of initiating this suit against Silla on its own behalf. Furthermore, the Counterclaim does not allege that it had the legal authority to represent the Vanessa Brand. The Plaintiff asserts that Vanessa *intended* to assign the rights of its trademarks to Sunico, as the exclusive distributor, for the purpose of selling and promoting Vanessa's jewelry products; Vanessa *intended* that Sunico should benefit from Vanessa's trademarks, insofar as Sunico was the exclusive distributor and sought to benefit from valid trademarks; and, that Vanessa *intended* that its jewelry be sold, and that Sunico and itself would profit from the sale of the Vanessa branded products. The facts as alleged do not show that the Brand Vanessa and Sunico agreed, either formally or informally, to grant Sunico legal authority to represent its interests. The purported promise that Sunico would profit from prospective jewelry sales lacks parity with the legal authority afforded a legal representative. In sum, Sunico is not Vanessa's "legal representative" for the purpose of bringing suit under Section 32(1).

Additionally, Sunico's claim that it satisfies the standing requirements of Section 32(1) as a third party beneficiary of the distributorship agreements fails for similar reasons. Sunico executed an exclusive distributorship agreement with Vanessa to distribute Vanessa products in South Korea. Sunico, as Distributor, was appointed as exclusive distributor of Vanessa, the Principal, for the sale of the Products in the Exclusive Territory, *i.e.*, the Republic of Korea. Sunico also alleges that on or about September 12, 2014, Sunico assigned to Silla the rights to exclusively distribute the Vanessa Brand jewelry in South Korea. Sunico alleges that subsequent to the assignment Silla, as Distributor, began to distribute fraudulent, counterfeit, and falsely labeled Brand Vanessa products in Korea.

This argument for standing fails for two reasons. Under federal and state law, any mark and its registration or application for registration may be assignable. See 15 U.S.C. § 1060; see also N.J.S.A. § 56:3-13.6. However, federal and state law hold that at least two requisites are inherent in the concept of assignment. For example, federal law holds that "[a]ssignments shall be by instruments in writing duly executed. Acknowledgment shall be *prima facie* evidence of the execution of an assignment, and when the prescribed information reporting the assignment is recorded in the United States Patent and Trademark Office, the record shall be *prima facie* evidence of execution." 15 U.S.C. § 1060(a)(3).[2]

We conclude that Sunico is not an "assign" of Silla for statutory standing purposes under the Lanham Act, or the NJ TCA (discussed below). The record does not contain any writing duly executed that evidences an assignment of the Vanessa trademark. The June 2014 and September 2014 distributorship agreements, specifically the September 2014 agreement and assignment, merely assigns the right to distribute the Vanessa Brand products. Sunico's contractual rights to distribute the Vanessa branded products are not tantamount to those of an assign. Specifically, the June 2014 and September 2014 distributorship agreements relied upon to support the Defendants/Counterclaimants' position that Sunico assigned the Vanessa's trademark to Silla do not resemble an assignment under federal or New Jersey law, even considering them flexibly and as a cumulative whole. Even a cursory review of the agreements reveals only the intent to delineate the obligations and responsibilities for distribution in the "exclusive territory" of South Korea. The Defendants/Counterclaimants have failed to show that Vanessa manifested an intention to transfer its rights in the trademarks.

To reiterate, the distributorship agreements, which refer to the Vanessa products, do not declare that Sunico assigned anything to Silla; rather, the document provides that Sunico, by and through its original agreement with Vanessa, conveyed to Silla the rights to *distribute* the Vanessa jewelry products, without any mention at all of assignment or transferring ownership. In interpreting a contract, a court generally turns first to a contract's plain language. See Kieffer v.

[2] Similarly, pursuant to the State of New Jersey TCA, the assignment must be effected and memorialized by an instrument in writing duly executed and shall be recorded with the Secretary of State upon the payment of the recording fee payable to the Secretary of State. See N.J.S.A. § 56:3-13.6(a). "Acknowledgement by the assignee or transferee shall be *prima facie* evidence of the execution of an assignment or other instrument and, when recorded by the Secretary of State, the record shall be *prima facie* evidence of execution." See N.J.S.A. § 56:3-13.6(d).

Best Buy, 205 N.J. 213, 223 (2011). A court should give contractual terms "their plain and ordinary meaning", see M.J. Paquet, Inc. v. N.J. Dep't of Transp., 171 N.J. 378, 396, 794 A.2d 141 (2002), unless specialized language is used specific to a particular trade, profession, or industry, see VRG Corp. v. GKN Realty Corp., 135 N.J. 539, 548, 641 A.2d 519 (1994); see also N.J.S.A. § 12A:1-205. Here, the plain and ordinary meaning of the contractual terms is applicable.

"Distributor" is defined as "[a] wholesaler, jobber, or other manufacturer or supplier that sells chiefly to retailers and commercial users." See BLACK'S LAW DICTIONARY 1307, "Distributor" (8th ed. 2004). Similarly, "Distributorship" is defined as "[a] franchise held by a person or company who sells merchandise…[i]n a specific area to individual customers." See id. at 1307, "Distributorship". In June 2014, Sunico executed an exclusive distributorship agreement with Vanessa to distribute the Vanessa Brand in South Korea. The June 2014 distributorship agreement mandated that Sunico, as Distributor, commercialize the products in their original packaging. The September 12, 2014 Agreement between Sunico and Silla incorporated this prior agreement. The plain language of the distribution agreements only permitted the use, commercialization, or sale of the Vanessa Brand products in South Korea. In other words, Sunico or Silla acted as the wholesaler, manufacturer, or supplier of the Brand Vanessa Brand and sold the Vanessa products to consumers. Vanessa owned the trademark.

Sunico, in essence, only held a license, not an assignment, because Vanessa retained ultimate ownership of the marks. "[L]icenses for particular uses, or other documents not purporting to transfer *ownership* in the mark, are not assignments as the alleged assignor has not parted with all rights." Prince of Peace Enters. v. Top Quality Food Mkt., LLC, 760 F. Supp. 2d 384, 391-92 (S.D.N.Y. 2011). "Specifically, when an agreement places obligations regarding the trademark on the alleged assignee and indicates that the trademark is owned not by the assignee but by the assignor, a court should read that agreement as a license and not as an assignment. See id. at 391-92. The distributorship agreements did not provide Sunico or Silla the authority to remove, alter, or modify the Vanessa trademark in any manner. Vanessa owned the trademark and had exclusive control over the trademark. Therefore, Sunico lacks standing to assert a claim under Section 32 of the Lanham Act. In accordance with the foregoing reasons, the Plaintiff's Motion to Dismiss this claim is **GRANTED** and the Defendants/Counterclaimants' Motion seeking leave to file a First Amended Counterclaim with respect to this claim is **DENIED**.

3. Even if, *arguendo*, Defendants/Counterclaimants Have Standing, this Court Lacks Jurisdiction Over The Lanham Act Claims.

This Court lacks jurisdiction over the Defendants/Counterclaimants' extraterritorial claims asserted under the Lanham Act. The Lanham Act provides a civil right of action against parties misusing a mark used "in commerce". See 15 U.S.C. § 1125(a). "Commerce" is defined as "all commerce which may lawfully be regulated by Congress." See 15 U.S.C. § 1127. A court in the United States has subject matter jurisdiction to hear a case under the Lanham Act if the activities occurred in commerce that may be lawfully regulated by Congress.

The seminal case on extraterritorial jurisdiction is Steele v. Bulova Watch Co., 344 U.S. 280, 73 S. Ct. 252, 255, 97 L.Ed. 319, 325 (1952). In Steele v. Bulova Watch Co., the Supreme Court held that "…the United States is not debarred by any rule of international law from governing the conduct of its own citizens upon the high seas or even in foreign countries when the rights of other nations or their nationals are not infringed." See Steele v. Bulova Watch Co., 344 U.S. 280, 285-86, 73 S. Ct. 252, 255, 97 L.Ed. 319, 325 (1952). This is particularly true when the occurrence of unlawful operations and effects of trademark infringement are not confined within the territorial limits of a foreign nation, but permeate and reflect adversely on the markets in the United States. See id. at 286-87 (holding that United States courts possessed jurisdiction over petitioner because his operations and their effects were not confined within the territorial limits of a foreign nation, but rather had extraterritorial implications, as petitioner purchased component parts of his wares in the United States, allowed spurious "Bulovas" to filter through Mexico into the United States, and adversely affected Bulova's trade reputation in markets cultivated by advertising at home as well as abroad).

Steele and its progeny established that United States courts have jurisdiction to apply the Lanham Act to allegedly infringing conduct occurring outside the United States when necessary to prevent harm to United States commerce. See, e.g., Juicy Couture, Inc. v. Bella Int'l, Ltd., 930 F. Supp. 2d 489, 505 (S.D.N.Y. 2013). Courts have generally favored application of the Steele framework, with predominant focus on whether the infringing activity abroad has a "substantial effect" on United States commerce. Courts have articulated three factors to consider when determining whether the Lanham Act should be applied to extraterritorial conduct, including: "(1) whether the defendant is a United States citizen; (2) whether there exists a conflict between the defendant's trademark rights under foreign law and the plaintiff's trademark rights under domestic law; and (3) whether the defendant's conduct has a substantial effect on United States commerce." See, e.g., Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 642 (2d Cir. 1956). The absence of two factors is fatal to a successful domestic jurisdiction under the Lanham Act. See Totalplan Corp. of Am. v. Colborne, 14 F.3d 824, 831 (2d Cir. 1994). Simply maintaining an English language website accessible in the United States and/or making some minor sales to United States customers has been found insufficient. See Juicy Couture, 930 F. Supp. at 507 (finding extraterritorial jurisdiction unfounded where defendants' operations in United States were minimal and sales from English-language website to United States customers were *de minimis*).

In this instant case, this Court lacks subject matter jurisdiction absent evidence of a "substantial" effect on United States commerce. Sunico alleges that on June 30, 2014, it executed an exclusive distributorship agreement with Vanessa to distribute the Brand Vanessa products. The June 30, 2014 distributorship agreement appointed Sunico as the exclusive distributor for the sale of the Vanessa Brand products in the Republic of Korea. On or about September 12, 2014, Sunico assigned Silla the rights to exclusively distribute Vanessa's jewelry in South Korea. Sunico alleges that at some unknown date, but near this date of assignment, Silla began to distribute fake and counterfeit Vanessa jewelry in Korea.

Specifically, the Defendants allege in a conclusory fashion that Silla and its members made affirmative misrepresentations concerning the authenticity of the counterfeit Vanessa products, reproduced and/or imitated the Vanessa trademark, and advertised and distributed the counterfeit products in Korea's marketplace. Silla is incorporated under the laws of the Republic of South Korea. North America supposedly makes up 25% of Silla's overall markets. In or around October 2012, Silla applied to do business in New Jersey. As of December 5, 2014, Silla later withdrew as a company licensed to do business in New Jersey. Even taking the above allegations as true, the Defendants have not alleged that Silla has a system of United States domestic operations.

Firstly, the Defendants/Counterclaimants alleged that between a date unknown, but prior to May 2014, and perhaps continuing to the present time, but at least until December 2014, Silla operated a jewelry distribution and/or manufacturing business in Fort Lee, New Jersey. Preliminarily, the indiscernible timeline is significant. Secondly, the number of jewelry distributions and the brand of jewelry distributed is conspicuously absent from the counterclaim. More importantly, taking the Defendants/Counterclaimants' characterization of Silla's presence in the United States and New Jersey as true, noticeably absent from the counterclaim is any quantitative enumeration of domestic sales or attempted sales. Furthermore, the counterclaim fails to articulate how Silla's operations reflect adversely on the United States marketplace in any qualitative way. Sunico has not sufficiently pleaded that Silla's alleged trademark infringement caused consumer confusion in the United States insofar as sales to the United States and/or New Jersey are unknown. While this state's jurisdiction obligates the Court to perform a liberal review of the pleadings, the Defendants/Counterclaimants must allege more than a formulaic recitation of the elements of a cause of action. The most liberal reading affirms that Sunico's only alleged trademark infringement occurred in Korea with no nexus or impact on commerce in the United States or New Jersey. Thus, this Court lacks extraterritorial jurisdiction over the Sunico's Lanham Act claims. In accordance with the foregoing reasons, the Plaintiff's Motion to Dismiss this claim is **GRANTED** and the Defendants/Counterclaimants' Motion seeking leave to file a First Amended Counterclaim with respect to this claim is **DENIED**.

4. Defendants/Counterclaimants' New Jersey TCA Claims Fail For Substantively Similar Reasons As Stated Above.

This Court maintains jurisdiction over claims arising under N.J.S.A. § 56:3-13.1, et seq. See N.J.S.A. § 56:3-13.16(b). Contrary to Silla's contentions, the Counterclaim fails to sufficiently plead facts necessary to support the claims asserted, and merely states a formulaic recitation of the elements of a cause of action. To illustrate, Silla does not own the trademark at issue and has failed to allege facts that the distributorship agreements assigned such ownership rights to it. Silla was merely a distributor and/or seller of the trademarked products owned by Vanessa. Silla was authorized to distribute the Vanessa Brand products. More importantly, Silla has not plead facts sufficient to show that Sunico manufactured, advertised, or distributed the counterfeit products in the state of New Jersey. Sunico's bare-bones, conclusory allegations that Silla allegedly advertised, manufactured, reproduced, and/or distributed counterfeit Vanessa products is insufficient to survive the pending motion to dismiss. In accordance with the foregoing reasons, the Plaintiff's Motion to Dismiss the New Jersey TCA claim is **GRANTED** and the Defendants/Counterclaimants' Motion seeking leave to file a First Amended Counterclaim with respect to this claim is **DENIED**.

5. Defendants/Counterclaimants' Breach Of Contract Claims Survive, But Their Fraud Claims Do Not Survive.

The Court finds that the Defendants/Counterclaimants sufficiently pleaded facts that potentially establish viable claims of breach of contract. A "dispute [that] clearly arises out of and relates to [a] contract and its breach" should be resolved pursuant to contract law rather than tort law. See Wasserstein v. Kovatch, 261 N.J. Super. 277, 286, 618 A.2d 886 (App. Div. 1993). "Because we view the cause of action as sounding more in contract than in tort, we believe that the familiar principles of contract law will suffice to measure the damages." Pickett v. Lloyd's, 131 N.J. 457, 474, 621 A.2d 445 (1993). When considering whether a cause of action sounds in contract rather than tort, a court may consider whether the loss was of a nature more normally associated with a contract action and whether the relationship between the parties is governed by a lengthy and comprehensive contractual arrangement. See New Mea Constr. Corp. v. Harper, 203 N.J. Super. 486, 494, 497 A.2d 534 (App. Div. 1985). "It has, thus, consistently been held that an independent tort action is not cognizable where there is no duty owed to the plaintiff other than the duty arising out of the contract itself." See, e.g., Vaz v. Sweet Ventures, Inc., 2011 N.J. Super. Unpub. LEXIS 3189, *1 (Law Div. July 12, 2011). In the instant matter, the Defendants/Counterclaimants alleged damages arise from that purported contractual breach, rather than an independent duty recognized in tort law. The gist of the action doctrine therefore applies, and precludes the Defendants/Counterclaimants' fraud and related tort claims.

In addition, the Defendants/Counterclaimants are required to plead any action sounding in fraud, including allegations of misrepresentation, fraud, mistake, breach of trust, willful default, or undue influence, with particularity. R. 4:5-8(a); see Grow Farms Corp. v. National State Bank, 167 N.J. Super. 102, 111 (Law Div. 1979). A complaint must set forth the "particulars of the wrong, with dates and items if necessary, stated insofar as practicable. Malice, intent, knowledge, and other conditions of the mind of a person may be alleged generally." R. 4:5-8(a). For the reasons stated herein, the Court finds that Defendants/Counterclaimants' Counterclaim fails to state, with any particularity, facts supporting their contention that the Plaintiff made any misrepresentations or engaged in other fraudulent conduct with respect to the sale, distribution, advertisement, and/or merchandising of the Vanessa Brand products. Sunico offers bare conclusions that Silla committed fraud, without any particularity with respect to the type of misrepresentations made, the damaged incurred by Sunico, and the temporal contiguity between Silla's alleged fraudulent misrepresentations and Sunico's purported damages. In accordance with the foregoing reasons, Plaintiff's Motion to Dismiss Counts Five and Six is **GRANTED**. However, the Defendants/Counterclaimants' breach of contract claims survive the Plaintiff's Motion to Dismiss.